EXCERPTS FROM DISCLOSURE STATEMENT FOR SECOND AMENDED PLAN OF REORGANIZATION OF INDU CRAFT, INC. DATED NOVEMBER 9, 1998

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

Chapter 11

Case No. 97 B 44958 (JHG)

In re

INDU CRAFT, INC. Taxpayer I.D. No. 13-3048561,

Debtor.

DISCLOSURE STATEMENT FOR SECOND AMENDED PLAN OF REORGANIZATION OF INDU CRAFT, INC.

Dated: New York, New York
November 9, 1998

SUMMARY

The debtor, Indu Craft, Inc. (the "Debtor") has filed its *Second Amended Plan of Reorganization of Indu Craft, Inc.*, dated November 9, 1998 (the "Plan"), with the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). This *Disclosure Statement for Second Amended Plan of Reorganization of Indu Craft, Inc.* (the "Disclosure Statement") has received the approval of the Bankruptcy Court for use in connection with the

solicitation of acceptances of the Plan from holders of Claims against and Interests in the Debtor pursuant to section 1125 of title 11 of the United States Code (the "Bankruptcy Code").

A glossary of terms frequently used in this Disclosure Statement is set forth in Article 1 of the Plan.

In the Debtor's opinion, the treatment of Claims and Interests under the Plan provides a greater recovery than that which is likely to be achieved under other alternatives for the reorganization or liquidation of the Debtor.

Accordingly, the Debtor believes that Confirmation of the Plan is in the best interests of Creditors and Interest Holders and recommends that you vote to accept the Plan.

The Debtor

The Debtor is a corporation organized and existing under the laws of the State of New York having an address at P.O. Box 316, New York, New York 10018-0136. The Debtor's President and sole director is Hemant Mehta ("Mehta"). The Debtor's sole shareholder is Tze Wung Consultants, Ltd. ("Tze Wung"), a Hong Kong corporation maintaining offices for the conduct of business at Manulife Towers, 7th Floor, 169 Electric Road, Hong Kong.

The Debtor had been in the business of importing ladies' sportswear for sale at retail and wholesale. As set forth in more detail below, the Debtor's business was destroyed by the bad faith refusal of the Debtor's lender, Bank of Baroda, to continue extending credit to the Debtor on commercially

reasonable terms after the Debtor refused to invest in a business venture belonging to the son of an officer of Bank of Baroda.

Bank of Baroda's bad faith actions resulted in the closure of the Debtor's business and ultimately resulted in the issuance of a judgment against Bank of Baroda in the Debtor's favor in the amount of $2,519,822.29 on July 31, 1996.

* * *

Accordingly, to protect the interests of its Creditors and Interest Holders, the Debtor filed its voluntary petition commencing this case under chapter 11 of the Bankruptcy Code on July 25, 1997.

The Plan

The Plan provides for the payment in-full of all administrative, priority tax and secured claims and holders of Allowed Claims in Class 3 and 4 from the Interpleader Proceeds. Additionally, the Plan provides for the contribution by Tze Wung of up to $200,000 to enable the Debtor to fund post-confirmation claims of the Debtor, the proceeds of which will be used to pay holders of Allowed Claims in Class 5 (Subordinated Claims). The Plan categorizes the Claims against and Interests in the Debtor into various classes. The Plan also provides that the reasonable fees and expenses incurred by the Debtor during the Case will be paid in full and specifies the manner in which each class of Claims and Interests is to be treated.

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The Debtor's sole Interest Holder, Tze Wung, will retain its interests in the Debtor in exchange for the New Capital Contribution.

The table below provides a summary of the classification and treatment of Claims and Interests under the Plan. The figures set forth in the table below represent the Debtor's best estimate of the total amount of Allowed Claims and Allowed Interests in the Case. These estimates have been developed by the Debtor based on an analysis of its books and records and the proofs of claim filed in the case. The Bankruptcy Court set September 8, 1997, as the last date for filing Proofs of Claims and Proofs of Interests filed with the Bankruptcy Court by Creditors and Interest Holders. See "SIGNIFICANT EVENTS IN THE CASE — Bar Date." There can be no assurance that the amount of Claims and Interests that may be filed and allowed by the Bankruptcy Court will not exceed the amounts set forth below:

Class and Estimated Amount	**Type of Claim or Equity Interest**	**Summary of Treatment**
$140,000.00	Administrative Claims (including Claims for Professional Compensation and Reimburse-ment, Post-petition Ordinary Course Liabilities and	**Unimpaired.** Each Adminis-trative Claim, to the extent not previously paid, shall be paid by the Disbursing Agent, in Cash, in full on (i) the later of the Effective Date, the date payment of such Claim is due under the terms thereof or applicable law, or three

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Class and Estimated Amount	Type of Claim or Equity Interest	Summary of Treatment
	Post-petition Tax Claims)	business days after such Claim becomes an Administrative Claim or (ii) as may be otherwise mutually agreed in writing between the Disbursing Agent and the holder of such Claim; *provided, however*, that any Administrative Claim incurred by the Debtor in the ordinary course of its business shall be paid in full or performed by the Debtor in accordance with the terms and conditions of the particular transaction giving rise to such Administrative Claim and any agreements relating thereto.
152,385.00[1]	Priority Claims and Priority Tax Claims	**Unimpaired.** Subject to the provisions of Article 8 of the Plan, all Allowed Claims of

1. This number is comprised of: (i) NYC's Claim, in the amount of $12,385.00; (ii) NYS' Claim, in the amount of $15,000.00 and Vinod Gaglani's Claim, in the amount of $125,000.00. The Debtor has filed a motion seeking to expunge Vinod Gaglani's Claim. To the extent that Vinod Gaglani has a claim in excess of $15,000.00, the amount of his claim above $15,000.00 will be treated in Class 5.

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Class and Estimated Amount	Type of Claim or Equity Interest	Summary of Treatment
		Governmental Units entitled to priority pursuant to section 507(a)(8) of the Bankruptcy Code, and other holders of Allowed priority claims shall be paid, in Cash, in full on the Effective Date.
Class 1 $635,000	EVW Secured Claim	**Unimpaired.** In full satisfaction of the EVW Secured Claim against the Debtor, if any, EVW shall receive the treatment accorded to it under the Stipulation and Consent Order Resolving Claims of Eaton & VanWinkle and Providing Relief from the Automatic Stay, a copy of which is annexed to the Plan as Exhibit "A" and the terms of which are incorporated by reference therein.
Class 2 $112,300.31[2]	IRS Interest Claim	**Unimpaired.** Subject to the provisions of Article 8 of the

2. In its amended proof of claim (Claim # 16), IRS asserts a claim for interest and interest on interest in the amount of $112,300.31. This claim is the subject of a motion objecting to such claim. The motion is returnable on December 10, 1998.

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Class and Estimated Amount	Type of Claim or Equity Interest	Summary of Treatment
		Plan with respect to Disputed Claims, in full satisfaction of the IRS Interest Claim against the Debtor, if any, the IRS shall receive payment in cash, in the amount of one hundred percent (100%) of its Allowed Interest Claim.
Class 3 $ 11,056.75	Unsecured Claims	**Unimpaired.** Subject to the provisions of Article 8 of the Plan with respect to Disputed Claims, as soon as practicable following the resolution and payment of Administrative Claims. Priority Claims, and Trustee Fees, if any, each holder of an Unsecured Claim shall be paid, in cash, in full on the Effective Date.
Class 4 $620,000.00[3]	Tze Wung Secured Claim	**Impaired.** Subject to the provisions of Article 8 of the Plan with respect to Disputed

3. Tze Wung had filed a claim, in the amount of $1,820,000.00. However, by order of the bankruptcy court dated June 22 (the "June 22 Order") this Court authorized the Debtor to remit the sum of $1,200,000.00 to Tze Wung, thus reducing its claim to $620,000.00.

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Class and Estimated Amount	Type of Claim or Equity Interest	Summary of Treatment
		Claims, on the Effective Date and as soon as practicable following the resolution and payment to holders of Allowed Administrative Claims, Allowed Priority Tax Claims, holders of Allowed Claims in Classes 2 and 3, and Trustee Fees; the holder of an Allowed Claim in Class 4 shall receive its Pro Rata Distribution of all available Distributable Cash (after taking into account payments made on account of Allowed Administrative Claims, Allowed Priority Tax Claims, and holders of Allowed Claims inClasses 2 and 3).
Class 5 Unknown	Subordinated Claims	**Impaired.** Subject to the provisions of Article 8 of the Plan with respect to Disputed Claims, as soon as practicable following the resolution and payment of holders of Allowed Administrative Claims,

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Class and Estimated Amount	Type of Claim or Equity Interest	Summary of Treatment
		holders of Allowed Priority Tax Claims, holders of Allowed Claims in Classes 2, 3 and 4, and United States Trustee Fees; holders of Allowed Claims in Class 5 shall receive; (i) their Pro Rata distribution of all available Distributable Cash (after taking into account payments made on account of Allowed Administrative Claims, Allowed Priority Tax Claims, holders of Allowed Claims in Classes 2, 3 and 4 and United States Trustee Fees, if any), and (ii) their pro rata distribution of the net proceeds of any recovery in Baroda II after deduction for the appropriate legal fees, costs and disbursements.
Class 6 Not Applicable	Allowed Interests	**Impaired.** On the Effective Date, each Interest Holder shall retain its respective Allowed Interest in the Debtor in return for the New Capital Contribution.

* * *

Appendix

EVENTS LEADING TO CHAPTER 11

In 1987, Bank of Baroda,[4] commenced a campaign-that effectively drove the Debtor out of business and ultimately resulted in a judgment being awarded to the Debtor in the approximate amount of $2.5 million. As detailed below, the actions taken by Bank of Baroda, and the litigation commenced in response thereto, have spun off in their wake additional claims and litigation involving a variety of parties which have continued for nearly ten years. A brief summary of some of the more important claims, parties and litigation is set forth below.

Bank of Baroda I.[5] The Debtor was formerly engaged in the business of importing ladies' sportswear from the Far East and selling those goods in the United States. The business involved placing orders for garments with foreign suppliers and promptly arranging for the issuance of letters of credit in their favor. The letter of credit guaranteed the foreign supplier that it would be paid when the garments

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4. Bank of Baroda is a foreign bank organized and existing under the laws of India and owned by the Government of India, with its principal place of business in Mumbai, formerly known as Bombay, India. Bank of Baroda is authorized to do business in the State of New York and maintains a branch office at One Park Avenue, New York, New York.

5. The following discussion of the Debtor's relationship with Bank of Baroda, which relationship led to the demise of the Debtor's business and the award of $2.6 million in the Debtor's favor, is based upon, and closely follows, the opinion of the United States Court of Appears for the Second Circuit, issued February 3, 1995, and reported as *Indu Craft, Inc. v. Bank of Baroda*, 47 F.3d 490 (2d Cir. 1995).

were shipped. In those foreign countries where the Debtor's suppliers were located, letters of credit were needed by manufacturers to ensure compliance with quota restrictions on exports. Normally, suppliers will not ship — and sometimes will not even begin to manufacture — garments until they receive a letter of credit. Because the garment industry is, by its very nature, seasonal, delay is very detrimental in selling a line of clothes. Due to this time factor, a delay in the issuance of a letter of credit inevitably results in a slowdown of production or a holding up of the shipment of merchandise, causing a concomitant loss of business.

Contrary to industry practice, the Debtor's suppliers often began production of garments relying on their good relationships with the Debtor and the Debtor's assurance that letters of credit would be speedily forthcoming. Swift delivery was a critical element in the Debtor's . . .

* * *

As a result of the foregoing events, the Debtor ceased operations in November 1987.

In October 1987, the Debtor commenced a civil action against Bank of Baroda and Chokshi in the United States District Court for the Southern District of New York (the "Baroda Action"). Among other things, the Debtor's complaint alleged that Bank of Baroda had breached its covenant of good faith and fair dealing implied in the revolving credit agreement; and that Bank of Baroda and Chokshi committed a prima facie tort. Bank of Baroda counterclaimed for approximately $1.7 million under its line of credit loan.

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A four day trial was scheduled to commence before District Judge Duffy on September 30, 1991. However, in late September 1991, Judge Duffy notified the Debtor and Bank of Baroda that he could not proceed as scheduled and the trial was adjourned indefinitely. The parties then consented to trial before United States Magistrate Judge Leonard A. Bernikow and a twenty-three day jury trial was held before Judge Bernikow in July and August 1992.

On August 21, 1992, the jury found that Bank of Baroda's actions were not taken in good faith but grew out of Mehta's refusal to invest in the computer business for Anil Chokshi and thus violated the covenant of good faith and fair dealing implied in the loan documents. The jury also found that Bank of Baroda and Chokshi acted with malice to injure the Debtor and that such action constituted a prima facie tort. The jury found that the Debtor had been damaged in the amount of $3 million on its contract claim, but that the Debtor had failed to mitigate $1 million of this amount. Additionally, the jury awarded the Debtor $1.25 million on its prima facie tort claim. Prior to being discharged, the jury was polled and stated it was their intention that the cumulative award to the Debtor be $3.25 million. On Bank of Baroda's counterclaim for the $1.7 million due under the line of credit, the jury concluded that Bank of Baroda had wrongfully interfered and prevented the Debtor from repaying the loan and thereby denied Bank of Baroda any recovery.

Judge Bernikow entered judgment on August 24, 1992. On September 1, 1992, Bank of Baroda filed a motion pursuant to Rule 50 of the Federal Rules of Civil Procedure seeking judgment notwithstanding the verdict or, alter-

natively, for a new trial contending that all the jury verdicts should be overturned as a matter of law.

In ruling on Bank of Baroda's motion, Judge Bernikow found that although the Debtor had proven the loss of value of its business as a going concern, it had failed to produce proof of its variable expenses and fixed costs. Thus, he concluded the Debtor had failed to prove lost profits, requiring a judgment dismissing the jury's contract damages award. He also vacated the prima facie tort award on the grounds that it was duplicative of the contract damages award. Finally, he upheld the jury's verdict on Bank of Baroda's counterclaim, observing that the Bank of Baroda's bad faith actions wrongfully prevented the Debtor from repaying the note. Accordingly, on or about December 17, 1993, Judge Bernikow dismissed all claims and counterclaims.

* * *

The Interpleader Action. On or about June 14, 1996, Bank of Baroda commenced a civil interpleader action in the United States District Court for the Southern District of New York, by filing an *Interpleader Complaint* alleging that it was required to pay the sum of $2,566,557.35 to the Debtor pursuant to the final judgment issued in the Baroda Action, and that various parties have made, or were reasonably expected to make claims against all or a portion of the proceeds of the judgment. *Bank of Baroda, Plaintiff, -against- Indu Craft, Inc., Eaton & Van Winkle, Bank of India, Hershman & Leicher, P.C., Internal Revenue Service, Department of the Treasury, New York State Department of Taxation and Finance, New York City Department* of *Finance, "John Doe and Jane Doe A through Z," said names being*

fictitious and unknown to Plaintiff, the persons or parties intended to be those individuals or entities who may claim an interest in the property interpleaded herein, Defendants, Case No. 96 C.V., 4420 (S.D.N.Y.) (the "Interpleader Action"). In connection therewith, on or about June 17, 1996, Bank of Baroda deposited $2,576,891.82 (representing the judgment rendered in the Baroda Action, together with interest thereon) into an interest bearing account maintained by the Clerk of the District Court (the "Interpleader Proceeds").

In the Interpleader Action, Bank of Baroda alleged that without a determination of the Court it was unable to pay the proceeds of the judgment without danger of exposing itself to multiple liability to those parties that had made, or could make, claims against such funds. Accordingly, Bank of Baroda, asserting itself to be a disinterested stakeholder, asked the Court to enter judgment determining the rights and priorities of the various claimants to the judgment proceeds and discharging Bank of Baroda from its liabilities with respect thereto. Bank of Baroda named as defendants in the Interpleader Action, (i) EVW, Bank of India, (ii) Hershman & Leicher, a law firm holding an alleged claim for attorneys' fees in the sum of $24,373, (iii) the IRS, holding . . .

* * *

Decision to Commence this Case

The proximate cause of the decision to seek chapter 11 relief was the Debtor's inability to consummate a settlement with the IRS. As indicated above, The Debtor believes that its 1985 tax obligation should have been abated by carrying back the 1986 and 1987 losses against the 1985 taxable gain

pursuant to section 6511 of the Internal Revenue Code. Accordingly, the Debtor believes that the maximum amount due to the IRS will not exceed $75,000.00. While the Debtor and the IRS have attempted to negotiate a resolution of this issue, the IRS insisted that the Debtor must first pay the approximate $1,100,000 claim and then apply for a refund. The Debtor believed that this process could take as much as two years, whereas it believed that in the course of a case under chapter 11, the amount of the IRS claim can be determined and the abatement amounts offset without the need to undergo a lengthy refund procedure. Accordingly, the Debtor believes that it can generate a greater and more immediate recovery for all of its creditors within the structured environment of chapter 11.

Additionally, Tze Wung has committed to contributing up to $200,000 to fund post-Effective Date Claims of the Debtor, including but not limited to Baroda II, the recoveries of which will fund the payment to holders of claims in Class 5. Tze Wung is only willing to make this contribution in the context of a confirmed chapter 11 plan of reorganization that puts to rest the Debtor's many difficulties of the last ten years. These sums would be available to the Debtor to prosecute its claims against Bank of Baroda in Baroda II.

Accordingly, to protect the interests of all of its Creditors and Interest Holders, the Debtor filed its voluntary petition commencing this case under chapter 11 of the Bankruptcy Code on the Petition Date.

* * *

Appendix

Treatment of Claims and Interests Classified Under the Plan

Articles 4 and 5 of the Plan provide for the treatment of impaired and unimpaired Claims and Interests classified in Article 3 of the Plan as follows:

Class I - EVW Secured Claim. In full satisfaction of the EVW Secured Claim against the Debtor, if any, EVW shall receive the treatment accorded to it under the Stipulation and Consent Order Resolving Claims of Eaton & VanWinkle and Providing Relief from the Automatic Stay, a copy of which is annexed to the Plan as Exhibit "A" and the terms of which are incorporated by reference therein.

Class 2 - IRS Interest Claim. Subject to the provisions of Article 8 of the Plan with respect to Disputed Claims, in full satisfaction of the IRS Interest Claim against the Debtor, if any, upon resolution of the Adversary Proceeding, the IRS shall receive payment in cash, in the amount of one hundred percent (100%) of its Allowed Claim.

Class 3 - Unsecured Claims. Subject to the provisions of Article 8 of the Plan with respect to Disputed Claims, as soon as practicable following the resolution and payment of Administrative Claims, Priority Claims, and Trustee Fees, if any, each holder of an Unsecured Claim shall be paid, in cash, in full on the Effective Date.

Class 4 - Tze Wung Secured Claim. Subject to the provisions of Article 8 of the Plan with respect to Disputed Claims, on the Effective Date, as soon as practicable follow-

ing the resolution and payment to holders of Allowed Administrative Claims, Allowed Priority Tax Claims, holders of Allowed Claims in Class 2 and 3, and Trustee Fees; the holder of an Allowed Claim in Class 4 shall receive its Pro Rata Distribution of all available Distributable Cash (after taking into account payments made on account of Allowed Administrative Claims, Allowed Priority Tax Claims, holders of Allowed Claims in Classes 2 and 3) and Trustee Fees.

Class 5 - Subordinated Claims. Subject to the provisions of Article 8 of the Plan with respect to Disputed Claims, as soon as practicable following the resolution and payment of holders of Allowed Administrative Claims, holders of Allowed Priority Tax Claims, holders of Allowed Claims in Classes 2, 3 and 4, and United States Trustee Fees; holders of Allowed Claims in Class 5 shall receive; (i) their Pro Rata distribution of all available Distributable Cash (after taking into account payments made on account of Allowed Administrative Claims, Allowed Priority Tax Claims, holders of Allowed Claims in Classes 2, 3 and 4 and United States Trustee Fees, if any), and (ii) their pro rata distribution of the net proceeds of any recovery in Baroda II after deduction for the appropriate legal fees, costs, and disbursements.

* * *

RISK FACTORS

Although the Debtor believes that it will be able to meet all of the obligations that it is undertaking pursuant to the Plan there can be no assurance that future events will not cause the Debtor to default on one or more of its obligations

under the Plan. The following factors (and other risks considered elsewhere in this Disclosure Statement) should be considered by each Creditor, Interest Holder and their respective advisers.

There can be no assurance that the tax claims of the IRS and the City and the State of New York can be resolved and reduced to the amounts that the Debtor believes is appropriate as set forth above. There can be no assurance that the Debtor will recommence the litigation in Baroda II, or that such litigation, if commenced would be resolved in the Debtor's favor.

Further, there can be no assurance that the Debtor's business, which will be recommenced following the Debtor's receipt of the New Capital Contribution, will be successful.

* * *

Feasibility. For the Plan to be confirmed, it must be demonstrated that consummation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor. For purposes of determining whether the Plan meets this requirement, the Debtor has analyzed its ability to meet its obligations under the Plan. Inasmuch as the Plan provides for the distribution to holders of Allowed Administrative Claims, Allowed Priority and Priority Tax Claims and holders of Allowed Claims in Class 3 from the Interpleader Proceeds, the Debtor believes that it will be able to make all payments required to be made pursuant to the Plan.

* * *

Appendix

EFFECT OF CONFIRMATION

On the Effective Date, the Debtor will be discharged from all Claims and Interests which existed prior to confirmation of the Plan, except for payments and distributions provided for in the Plan or in the order of the Bankruptcy Court confirming the Plan. The Debtor's discharge will be fully effective against all Creditors and Interest holders, regardless of whether they have voted to accept or reject the Plan and regardless of whether the Plan is confirmed by consent or by resort to the provisions of section 1129(b) of the Bankruptcy Code.

Discharge of Debtor

On the Effective Date the Debtor will be discharged pursuant to section 1141 of the Bankruptcy Code from all Claims against and Interests in the Debtor that arose prior to the Effective Date and from any liability of a kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code whether (i) a Proof of Claim or Proof of Interest has been filed or deemed to have been filed with respect to such Claim or Interest, (ii) such Claim or Interest is allowed or disallowed, or (iii) the holder of such Claim or Interest has accepted the Plan. All Persons will be precluded and enjoined from asserting against the Debtor and its successors, assets or properties, or against any property that is distributed, or is to be distributed under the Plan, any other or further Claim or Interest based upon any acts or omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date. The entry of the Confirmation Order shall forever stay, restrain and permanently enjoin (i) the

commencement or continuation of any action, the employment of process, or any act to collect, enforce, attach, recover or offset from the Debtor, or from property of the Debtor, (ii) the creation, perfection or enforcement of any lien or encumbrance against any property of the Debtor or any property distributed under the Plan, or (iii) any Claim or Interest discharged under the Confirmation Order, the Plan or pursuant to section 1141(d)(1) of the Bankruptcy Code, except as otherwise provided in the Plan, or in the Confirmation Order, or with respect to the Debtor's obligations under the Plan or Confirmation Order.

Releases

Section 1125(e) of the Bankruptcy Code, commonly referred to as the "safe harbor," protects persons acting in good faith, from civil claims arising in connection with solicitations of acceptances of plans of reorganization or participating in the offer, issuance, sale or purchase of a security under the Plan. Pursuant to section 1125(e), as set forth in Article 9 of the Plan, neither the Debtor, nor its respective officers, directors, general partner, managing agent or employees (acting in such capacity) nor any professional person employed by any of them, shall have or incur any liability to any entity for any action taken or omitted to be taken in connection with or related to the formulation, preparation, dissemination, Confirmation or consummation of the Plan, the Disclosure Statement or any contract, instrument, release or other agreement or document created or entered into, or any other action taken or omitted to be taken in connection with the Case or the Plan. From and after the Effective Date, a copy of the Confirmation Order and the

Plan shall constitute and may be submitted as a complete defense to any claim or liability released pursuant to this Article 9 of the Plan.

Further, upon the Effective Date, in consideration of the Cash and other property to be distributed to or on behalf of the holders of Claims under the Plan, the Plan shall be deemed to resolve all disputes and constitute a settlement and release, between and among the Debtor, its partners, officers, directors, agents, representatives and employees and shall constitute a release of the Released Entities, effective as of the Effective Date, by the Debtor, on its own behalf and on behalf of all Interest Holders and Creditors, and by each Creditor and Interest Holder from any claim or liability, whether legal, equitable, contractual, secured, unsecured, liquidated, unliquidated, disputed, undisputed, matured, unmatured, fixed or contingent, known or unknown, that the Debtor, its Creditors or Interest Holders ever had, now have or hereafter may have (including, without limitation, any claims the Debtor may assert on its own behalf or on behalf of Creditors or Interest Holders pursuant to sections 510 and 542 through 553 of the Bankruptcy Code, any claims Creditors or Interest Holders may have asserted derivatively on behalf of the Debtor absent bankruptcy, any claims based on the conduct of the Debtor's business affairs prior or subsequent to the commencement of the Case or any claims based on the negotiation, submission and confirmation of the Plan).

* * *

Appendix

CONCLUSION

The Debtor believes the Plan is in the best interests of all Creditors and Interest Holders and strongly encourages all holders of Claims against and Interests in the Debtor to vote to accept the Plan and to evidence such acceptance by promptly returning their Ballots to ensure that they will be received not later than 5:00 p.m., Eastern Standard Time, on _____, 1998.

Dated: New York, New York
November 9, 1998

INDU CRAFT, INC.

By: s/ Hemant Mehta
Hemant Mehta, its President

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By: s/ A. Mitchell Greene
A. Mitchell Greene (AMG-5900)

EXCERPTS FROM TRANSCRIPT OF HEARING HELD ON OCTOBER 5, 1990

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

89 Civ. 5996 JSM

BANK OF INDIA,

Plaintiff,

v.

TRENDI SPORTSWEAR, INC., et al.,

Defendants.

October 5, 1990
3:00 p.m.

Before:

HON. JOHN S. MARTIN
District Judge

* * *

THE COURT: Don't we really have a manufactured claim here? My right pocket is suing my left pocket, right?

MR. CHASE: It's true that the companies are related. And it may also be true that it might have been possible to assert these claims previously.

We cant speak to that because as it happens we were not counsel for Indu Craft at the time that any possible action could have been taken.

THE COURT: I think it is something I can take into consideration in exercising my discretion as to whether or not to stay this action.

* * * *

TRANSCRIPT OF BANKRUPTCY COURT HEARING HELD ON DECEMBER 22, 1998

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

Case No.
9744958

In the Matter

of

INDU CRAFT, INC.,

Debtor.

December 22, 1998

Motion for fourth Order extending Debtor's exclusive right to file a plan and solicit acceptances.

BEFORE:

HON. JEFFRY H. GALLET,
Bankruptcy Judge

PROCEEDINGS

MR. SHAFFERMAN: Good morning, Your Honor, I'm here on a motion on the fourth extension of the Debtor's exclusive period.

We've been striving to confirm a plan. A Disclosure Statement has been approved, as I had stated in a previous

hearing. We've got — we thought we had an agreement with the Internal Revenue Service or the U.S. Attorney's Office as to their treatment, but it had to go through another branch of the government. I learned about a week or ten days ago, it still had left not left the U.S. Attorney's office, so we're going to be modifying the plan, and we filed this motion prior to my learning that information.

We're seeking a short extension —

THE COURT: Why do you need an extension? Is it that somebody is pounding on your door to file a plan?

MR. SHAFFERMAN: No, Your Honor, that's not the case, but I've learned in this case and others that anything is possible —

THE COURT: That's the reason that I'm going to deny the motion. This Debtor has had lots of chance to do it. If somebody rushes up with a plan, I'm going to let them do that.

It's unlikely in this case, but I don't think that this case, at this point, meets any of the reasons Congress contemplated for extending it.

In fact, I didn't think it did last time, but I extended it anyway.

You can only carry me beyond Congress for so many extensions denied.

MR. SHAFFERMAN: Thank you, would Your Honor want me to submit an Order?

THE COURT: Please.

MR. SHAFFERMAN: Thank you.

THE COURT: This case, by the way, has reached the end of its rope. It is very shortly going to be confirmed on the plan you have or it's going to be converted.

There are lots of things on this plan that are beginning to make me very, very nervous, the way the claims are, the insider problems. This may be a case that would well be served by either a Chapter 11 or Chapter 7 Trustee.

If it goes through or not, I think the moment may come to have someone else take a look at this arrangement as it unravels before my eyes.

MR. SHAFFERMAN: Well, Your Honor —

THE COURT: I'm not doing anything today, I'm just warning you for the next time.

MR. SHAFFERMAN: As of now I believe — I'm hopeful that but for IRS and one other creditor, we're there.

THE COURT: There are some potential loose ends in this plan, and they are loose ends that are causing you some concern.

MR. SHAFFERMAN: Thank you.

JOINT STATEMENT OF FACTS CONCERNING THE CLAIMS OF TRENDI SPORTS-WEAR, INC. AND INDU CRAFT, INC. DATED JUNE 10, 1999

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

CHAPTER 11

CASE NO. 97 B 44958 (JHG).

In re:

Indu Craft, Inc.

Debtor

Joint Statement of Facts Concerning The Claims of Trendi Sportswear, Inc. and Indu Craft, Inc. (Claim #8)

1. Indu Craft, Inc. ("Indu Craft") agreed to deliver ladies' ready-made garments ("Garments") worth $7,217,115.50 between June and September of 1987 to Trendi Sportswear, Inc. ("Trendi").

2. Due to Bank of Baroda's wrongful denial of credit to Indu Craft, Indu Craft (a) sued Bank of Baroda on October 15, 1987, but (b) substantially failed to deliver the Garments to Trendi as promised.

3. If Indu Craft had delivered the Garments as promised, Trendi would have sold those Garments for $10,035,816.16.

4. Trendi lost gross profits in the amount of $2,818,640.66 due to Indu Craft's failure to deliver the Garments.

5. Trendi attempted to mitigate its damages caused by Indu Craft's failure to deliver the Garments.

6. For mitigating its damages, Trendi purchased Garments worth $2,597,553.77, from overseas manufacturers.

7. Indu-Craft's failure to deliver as promised caused a significant delay in Trendi delivering the Garments to its customers, since Trendi had to arrange for financing, processing, and delivery of the Garments from overseas manufacturers itself.

8. Due to the delay occasioned by Indu Craft's failure to deliver the Garments as promised ("Delay"), Trendi's deliveries to its customers were in turn delayed.

9. Due to the Delay, Trendi was unable to sell the Garments at the price it could have otherwise charged to its customers.

10. Due to Trendi's delay in delivery, caused by Indu Craft's Delay, Trendi could not get reorders from its customers.

11. Due to the Delay, several of Trendi's customers canceled their orders.

12. As a result of such cancellations, Trendi had to sell significant quantities of Garments at reduced prices to new buyers.

Appendix

13. Due to the Delay, Trendi also had to give significant discounts and rebates to those of its customers who did not cancel their orders.

14. Due to the Delay, Trendi was unable to sell significant quantities of those Garments quickly.

15. Due to the Delay, Trendi was not able to sell about two thirds of the Garments by October 15, 1987.

16. If Indu Craft had delivered the Garments as promised, Trendi could and would have sold the Garments by October 1987.

17. As a result, Trendi had to store significant quantities of those Garments in warehouses and sell them at distress prices as late as 1988 and 1989.

18. Trendi sold these Garments for the sum of $2,365,583.82.

19. As a result, Trendi lost $231,968.95 in attempting to mitigate its damages.

20. Trendi's gross losses due to Indu Craft's failure to deliver the Garments according to contract were $3,050,609.61 (=$2,818,640.66 + $231,968.95).

21. If Indu Craft would have performed as contracted, Trendi's additional variable expenses attributable to Trendi's performance (including, for example, shipping, processing, and other overheads) would have been $273,581.66.

Appendix

22. Trendi's net losses, i.e., gross profits less variable costs, attributable to Indu Craft's failure to deliver the Garments as promised amounted to $2,777,027.95 (= $3,050,609.61 - $273,581.66) as of December 31, 1987.

23. With simple interest, Trendi's damages (net losses) amount to $5,169,437.53 as of July 28, 1997, the date Indu Craft, Inc. filed the underlying petition for bankruptcy with this Court.

24. Due to Indu Craft's failure to deliver the Garments as promised, Trendi was unable to fulfill its financial obligations to BOI.

25. As a result, BOI sued Trendi, and entered judgment against Trendi for $2,244,895.19 in the United States District Court for Southern District of New York on April 22, 1991 ("Judgment").

26. Together with interest, Trendi's liability under this judgment is now estimated at $4,293,990.64, with interest at 9% p.a. from October 26, 1998.

27. Moreover, BOI debited Trendi's account for $397,055.00 towards the purchase price of Garments ordered by Trendi from abroad.

28. However, BOI did not permit Trendi to take delivery of the said Garments worth $397,055.00 due to Trendi's default caused by Indu Craft.

29. As a result, Trendi was unable to receive delivery of Garments worth $397,055.00 which it had ordered and become liable for.

30. With interest from the date of entry of Judgment, this claim amounts to $621,073.43, as of July 28, 1997.

31. Indu Craft's breach of the contract led to Trendi losing creditworthiness, tremendous goodwill, and customer confidence, so much so that Trendi's business was destroyed.

32. Trendi's damages attributable to the destruction of its business are $8,225,000 as of December 31, 1987.

33. With interest, these damages of Trendi amount to $15,310,837.51 as of July 28, 1997.

Dated this 10th day of June, 1999.

Robinson Brog Leinwand Greene Genovese & Gluck P.C.

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DECISION AND ORDER RESOLVING CLAIMS OBJECTION OF THE UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF NEW YORK DATED JULY 12, 1999

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

Chapter 11

Case No.: 97-B-44958 (JHG)

In re:

INDU CRAFT, INC.,

Debtor.

DECISION AND ORDER RESOLVING CLAIMS OBJECTION

JEFFRY H. GALLET
UNITED STATES BANKRUPTCY JUDGE

BACKGROUND

On July 25, 1997 Indu Craft, Inc., the debtor and debtor in possession (the "Debtor") filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code. On September 8, 1997, Trendi Sportswear, Inc. ("Trendi") filed a Proof of Claim in this Court asserting an unsecured claim, in an unknown amount (hereinafter the "Claim". By notice of motion dated July 30, 1998 the Debtor objected to certain claims including Trendi's Claim based on the fact

that it was filed in an undetermined amount. Trendi thereafter submitted numerous documents, along with a Memorandum of Law and Affidavit of Ronald Quintero and Jagdish Patel, in support of Trendi's Claim. A Joint Statement of Facts ("JSOF") along with separate legal briefs of Trendi and Indu Craft were filed with the Clerk's office on June 10, 1999. Response papers were filed by Trendi only. The papers reflect Indu Craft's liability to Trendi. Thus, the only issue before me is the amount of Trendi's claim.

DISCUSSION

Trendi claims that it is entitled to $21,101,348.47, which represents a business venture gone bad. Indu Craft claims the amount of damages should be $20,480,275.04. There is a $621,073.43 difference. This amount reflects mitigation damages plus interest up to the date of filing the petition. In the JSOF the parties stipulated to the fact that Trendi suffered mitigation damages and to the amount of these damages. Indu Craft however, failed to include this figure in their calculation of damages, and furthermore offers no arguments as to why Trendi should not receive this $621,073.43. Based upon this stipulation I find that Trendi's claim should be $21,101,348.47.

It is unclear from Trendi's papers whether it is seeking post petition interest on its claim. It is a fundamental principle of bankruptcy law, however, that unsecured creditors are not entitled to post petition interest. *See Kitrosser v. CIT Group/ Factoring, Inc.*, 177 B.R. 458, 467 (Bankr. S.D.N.Y. 1995); *In re Pine Lake Village Apartment Co.*, 19 B.R. 819, 826 (Bankr. S.D.N.Y. 1982).

CONCLUSION

Trendi's claim in this proceeding shall be fixed at $21,101,348.47 and shall not accrue interest, post petition.

So Ordered.

Dated: New York, New York
July 12, 1999

s/ Jeffry H. Gallet
Jeffry H. Gallet
United States Bankr. Judge

FINAL DECREE OF THE UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF NEW YORK DATED MAY 17, 2000

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

Confirmed Chapter 11

Case No.: 97-B-44958(JHG)

In Re:

INDU CRAFT, INC.,

Debtor.

FINAL DECREE

Upon the application of the **Indu Craft, Inc.,** the above-captioned debtor (the "Debtor"), dated May 15, 2000 (the "Application"), by its attorneys, **Robinson Brog Leinwand Greene Genovese & Gluck P.C.,** for an Order granting a Final Decree in this case; and it having been represented and it appearing that the estate of the Debtor has been fully administered and the initial distributions required pursuant to the Debtor's confirmed plan of reorganization, (the "Plan") have been made to all Creditors at their last known addresses; and it also appearing that notice of the submission of the Application and service of a copy thereof was duly and timely made upon the Office of the United States Trustee, and that no objection was made to granting the relief requested therein, and sufficient cause appearing to me therefor, it is

ORDERED, that, as provided for in the Plan, the Debtor is discharged and released from any and all claims of creditors; and it is further

ORDERED, that, in accordance with the Plan, the holders of claims against the Debtor are enjoined and restrained from instituting or continuing any action to collect such debts; and it is further

ORDERED, that the above-captioned Chapter 11 Case be, and it hereby is, closed.

DATED: New York, New York
May 17, 2000

s/ Jeffry H. Gallet
Honorable Jeffry H. Gallet
United States Bankruptcy Judge